

**24TH DISTRICT COURT
FINANCIAL REPORT
JULY 1, 2005 TO JUNE 30, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name 24th District Court	County Wayne
Fiscal Year End 06/30/06	Opinion Date 07/28/06	Date Audit Report Submitted to State 09/01/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

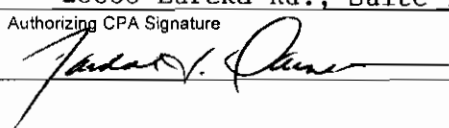
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No internal control problems found.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Darnell & Meyering, P.C.		Telephone Number (734) 246-9240	
Street Address 20600 Eureka Rd., Suite 900		City Taylor	State Zip MI 48180
Authorizing CPA Signature 		Printed Name Randall H. Darnell	License Number 13139

24TH DISTRICT COURT
Financial Report
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July 1, 2005 to June 30, 2006

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Judges
of the 24th District Court
Allen Park, Michigan 48101

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 24th District Court as of and for the year ended June 30, 2006, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 24th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 24th District Court, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages i through vii and 23 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required

supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 24th District Court's basic financial statements. The accompanying supplementary information, such as the introductory section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DARRELL & MEYERING, P.C.

Darrell & Meyering, P.C.

July 28, 2006

24th District Court - Allen Park and Melvindale, Michigan
Management's Discussion and Analysis (MD&A)
Year ended June 30, 2006

The management of the 24th District Court presents this narrative overview and analysis of the financial activities of the Court for the fiscal year ended June 30, 2006. The Court encourages readers to consider the information presented here in conjunction with the additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The budget for expenditures of the Court for the year ended June 30, 2006 was \$2,867,718, which represented a decrease of \$265,114 over the previous year.
- The early retirement incentive package had a major impact on the Court during this fiscal year. The Court's decision to promote from within for the position of Court Administrator had a substantial savings on not having to offer a new salary and benefit package. Despite the reduction of four (4) staff members the Court has managed to combine positions and continue to run a smooth, efficient and resourceful operation. This transition could not have transpired with out the dedication of both Judge Courtright and Judge Page, and the hardworking, highly cross-trained court staff.
- Court Security *was* an area of great concern for both Judges of the court and to our liability insurance company. The funding units allowed the court to utilize a portion of the undesignated fund balance to significantly enhance court security. The court has added a digital recorder and upgraded surveillance cameras at the cashier stations. In addition, a walk through magnometer and an x-ray machine have been added to the main lobby of the court. To date the court has confiscated knives, razor blades, and brass knuckles; these are only a few of the items that would have otherwise entered the court premises. Court Security Officers received tasers, new hand held wands and uniforms. From November of 2005 to July of 2006 approximately 66,000 people have entered the courthouse.
- The 24th District Court Work Program is a self-supported alternative sentence to an otherwise costly jail term for certain individuals convicted of various misdemeanors. The program, which we expanded from two to three days per week, continues to be an asset by providing services to both the City of Allen and the City of Melvindale at no cost to either community.
- The Court remains committed to upholding the integrity of the judiciary, while continuing to provide prompt service to the public, and becoming more proficient through the continued use of technological improvements. The Court continues aiding the communities by providing both departments with the use of the Court's warrant team officers for pick-up and transportation of prisoners. Not only does performing these functions affect the communities financially, but also the hours of labor previously committed to those tasks may be dedicated to providing other services, such additional patrol.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Court's basic financial statements. The Court's basic financial statements comprise three components: 1) court-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Court-wide financial statements. The Court-wide financial statements are designed to provide readers with a broad overview of the Court's finances, in a manner similar to a private-sector business.

The statement of Net Assets presents information on all of the Court's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Court is improving or deteriorating.

The Statement of Activities presents information showing how the Court's net assets changed during the most recent fiscal year. [All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.]

The Court-wide financial statements outline functions of the Court that are principally supported by revenues received from each community pursuant to the agreement between the district control units of Allen Park and Melvindale. The governmental activities of the Court include the fair and timely adjudication of all civil, criminal and traffic cases filed within the boundaries of its jurisdiction. The Court-wide financial statements can be found on pages 3 and 4 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Court uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Court can be divided into two categories: governmental and fiduciary funds. Fiduciary funds include the Revenue Fund, Bond Fund, Court Services Revenue Fund and Payroll Fund.

The basic governmental and fiduciary fund financial statements can be found on pages 5 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Court-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

COURT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Court, assets exceeded liabilities by \$ 779,408 as of June 30, 2006.

The largest portion of the Court's net assets reflects its investment in capital assets (e.g., equipment and leasehold improvements), less any related debt used to acquire those assets that is still outstanding. The Court uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the Court's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Court's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. In addition, the large increase in the Court services expense was due to an additional transfer to the District Control Units of Allen Park and Melvindale of \$82,524 derived from cumulative excess revenues of the Court. The only significant revenue increase was program fees revenue that increased \$21,324. This increase was due to a transfer of the warrant program activity to the general fund.

Net Assets for the period ending June 30, 2006 and June 30, 2005

	<u>Net Assets</u> <u>June 30, 2006</u>	<u>Net Assets</u> <u>June 30, 2005</u>
Current Assets	\$ 662,443	\$ 531,870
Capital Assets	<u>343,621</u>	<u>415,410</u>
Total Assets	1,006,064	947,280
Current Liabilities	155,905	144,959
Noncurrent Liabilities	<u>70,751</u>	<u>107,222</u>
Total Liabilities	226,656	252,181
Net Assets:		
Investment in capital assets (net of debt)	321,822	387,652
Unrestricted	<u>457,586</u>	<u>307,447</u>
Total Net Assets	<u>\$ 779,408</u>	<u>\$ 695,099</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2006 and June 30, 2005.

Changes in the 24th District Court Net Assets:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Revenues:		
Program Revenues – Special Revenue Funds	\$ 85,846	\$ 80,905
General Revenues:		
Intergovernmental	2,668,906	2,734,560
Probation	218,428	220,504
Investment Revenue	15,189	7,837
Miscellaneous	<u>44,139</u>	<u>35,517</u>
Total Revenues	<u>\$ 3,032,508</u>	<u>\$ 3,079,323</u>
Expenses:		
Program Expenses-Special Revenue Funds	33,146	30,024
Court Services	2,817,688	3,078,542
Interest on Long-Term Debt	1,637	1,397
Depreciation	<u>92,896</u>	<u>102,184</u>
Total Expenses	<u>\$ 2,945,367</u>	<u>\$ 3,212,147</u>
Change in Net Assets	84,309	(132,824)
Beginning Net Assets	<u>695,099</u>	<u>827,923</u>
Ending Net Assets	<u>\$ 779,408</u>	<u>\$ 695,099</u>
Transfers to General Fund from Special Revenue Funds	<u>\$ 11,500</u>	<u>\$ 83,419</u>

Comments on Budget Comparison

- The Court's actual revenue received by the General Fund for the year ended June 30, 2006 was \$38,927 more than we had budgeted.
- The Court's total expenditures of the General Fund before other financing sources and uses for the year ended June 30, 2006 was \$2,367,718.
- General Fund budget expenditures compared to actual varied from line item to line item with the ending actual balance before other financing sources and uses being \$238,028 less than budget.

General Fund Revenue

The majority of revenue was derived from the budget allocations from the funding units supported by the collection of fines, costs and fees. Some miscellaneous revenue is received from interest income, copy fees and marriage fees.

Budget Allocation

45% of the Court's overall budget is devoted to the salary and wages, and 29% covers the employee benefits. Acquisition and maintenance of the Court's fixed assets including building maintenance, computer services, utilities, building rental, insurance and capital outlay, accounts for 13% of the budget. Trial services including court appointed attorneys, interpreters, visiting judges, contract labor, and jury and witness fees total 4% of the budget. Consumables, including office supplies, postage, printing and publishing and other administrative expense, make up 3% of the budget. The balance 6% is committed to miscellaneous items such as uniform cleaning, training, dues and subscriptions and the like.

Budgetary Implications

The budget is impacted by a number of factors that are outside the Court's control. The number and type of cases that are filed governs the workload and the revenues, but the Court has no power or authority, nor should it, to manipulate these figures to its advantage. The cost of medical benefits decreased approximately 4.4%.

While caseload and revenue have slightly decreased in some areas and increased in others, the complexity of the operation of the Court has increased mostly because of various directives and continuous changes in the mandatory reporting requirements at the state and federal level, including compliance with a variety of state standards, fee disbursements, and the implementation of the Caseflow Management Guidelines. In addition, and as stated in the Court's previous Management Discussion and Analysis, there is the growing burden on the Courts to either maintain or decrease expenditures and staff, while at the same time, increase revenues, collections, compliance and efficient public service. As a result, the budgeted cost of providing these services to the public, complying with the mandated amendments and general day-to-day operations of the Court continues to rise to meet these ever growing demands and responsibilities.

Capital Assets

At the end of June 30, 2006, the Court had invested \$23,939 including leasehold improvements, computer equipment and office equipment. This represents a net change of \$13,743 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$92,896.

24th District Court Capital Assets:

	<u>Cost</u>	<u>Accumulated and Depreciated</u>	<u>June 30, 2006 Net Book Value</u>	<u>June 30, 2005 Net Book Value</u>
Computer equipment	175,612	150,129	25,483	43,070
Furniture equipment	242,125	138,909	103,216	113,349
Leasehold Improvement	503,392	288,470	214,922	258,991
Vehicles	<u>51,334</u>	<u>51,334</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 972,463</u>	<u>\$ 628,842</u>	<u>\$ 343,621</u>	<u>\$ 415,410</u>

Long Term Debt

The balance of \$106,223 represents capitalized lease and compensated absences outstanding at June 30, 2006, which is a decrease of \$24,454 from last year. (More detailed information about the Court's long-term liabilities is presented in Note 7 of the financial statements.)

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Capitalized Leases	\$ 21,799	\$ 27,758
Compensated Absences	<u>84,424</u>	<u>102,919</u>
Total	<u>\$106,223</u>	<u>\$130,677</u>

Questions regarding this report should be directed to John T. Courtright, Chief Judge (313) 928-0535 ext. 256 or by mail at 6515 Roosevelt Road, Allen Park, MI 48101.

**24th District Court
Statement of Net Assets
June 30, 2006**

Assets	<u>Governmental Activities</u>
Current Assets:	
Cash	\$ 387,893
Receivables	
Other Governmental Units	222,409
Due From Agency Funds	3,141
Prepaid Expenditures	49,000
Total Current Assets	<u>662,443</u>
Noncurrent Assets	
Capital Assets	972,463
Less Accumulated Depreciation	(628,842)
Total Noncurrent Assets	<u>343,621</u>
Total Assets	<u><u>\$ 1,006,064</u></u>
 Liabilities And Net Assets	
Current Liabilities	
Accounts Payable	\$ 70,539
Accrued Wages	49,132
Due to Agency Funds	762
Compensated Absences Due Within One Year	29,100
Capital Leases Payable Due Within One Year	6,372
Total Current Liabilities	<u>155,905</u>
Noncurrent Liabilities	
Compensated Absences Due Beyond One Year	55,324
Capital Leases Payable Due Beyond One Year	15,427
Total Noncurrent Liabilities	<u>70,751</u>
Total Liabilities	<u><u>226,656</u></u>
Net Assets:	
Invested in Capital Assets Net of Related Debt	321,822
Unrestricted	457,586
Total Net Assets	<u><u>\$ 779,408</u></u>

The notes to the financial statements are an integral part of this statement.

**24th District Court
Statement of Activities
Year Ended June 30, 2006**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	
Governmental activities:				
Court Services	\$ 2,943,730	\$ 85,846	\$ -	\$ (2,857,884)
Interest on Long-Term Debt	1,637	-	-	(1,637)
Total Governmental Activities	<u>\$ 2,945,367</u>	<u>\$ 85,846</u>	<u>\$ -</u>	<u>(2,859,521)</u>
General Revenues:				
Intergovernmental				2,668,906
Probation				218,428
Investment Revenue				15,189
Miscellaneous				44,139
Special Item:				(2,832)
Loss on Disposal of Assets				2,943,830
Total General Revenues and Special Items				84,309
Change in Net Assets				695,099
Net Assets, Beginning of Year				\$ 779,408
Net Assets, End of Year				

The notes to the financial statements are an integral part of this statement.

**24th District Court
Balance Sheet
Governmental Funds
June 30, 2006**

	General Fund	Work Prog. Special Rev Fund	Warrant Team Special Rev Fund	Total Governmental Funds
Assets:				
Cash	\$ 333,468	\$ 54,425	\$ -	\$ 387,893
Receivables:				
Due From Other Governments	222,409	-	-	222,409
Other				-
Due From Other Funds	4,194	-	-	4,194
Prepaid Expenditures	49,000	-	-	49,000
Total Assets	\$ 609,071	\$ 54,425	\$ -	\$ 663,496
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 70,539	\$ -	\$ -	\$ 70,539
Accrued Wages	49,132	-	-	49,132
Due To Other Funds	762	1,053	-	1,815
Total Liabilities	120,433	1,053	-	121,486

The notes to the financial statements are an integral part of this statement.

Fund Balances:				
Reserve, Prepaid Expenditures	49,000	-	-	49,000
Unreserved, Undesignated	439,638	53,372	-	493,010
Total Fund Balances	<u>488,638</u>	<u>53,372</u>	<u>-</u>	<u>542,010</u>
Total Liabilities and Fund Balances	<u>\$ 609,071</u>	<u>\$ 54,425</u>	<u>-</u>	<u>\$ 663,496</u>
Total Governmental Fund Balances				\$ 542,010
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are financial resources and are not reported in the funds				
The cost of capital assets is		\$ 972,463		
Accumulated depreciation is		<u>(628,842)</u>		343,621
Long term liabilities are not due and payable in the current period and are not reported in the funds				
Compensated absences		(84,424)		
Capitalized lease obligation		<u>(21,799)</u>		(106,223)
Net assets of governmental activities				<u>\$ 779,408</u>

The notes to the financial statements are an integral part of this statement.

24th District Court
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2006

	General Fund	Work Prog. Special Rev Fund	Warrant Team Special Rev Fund	Total Governmental Funds
Revenues:				
Intergovernmental	\$ 2,668,906	\$ -	\$ -	\$ 2,668,906
Probation	218,428	-	-	218,428
Interest Income	14,949	215	25	15,189
Program Fees	21,324	64,522	-	85,846
Miscellaneous	44,139	-	-	44,139
Total Revenues	2,967,746	64,737	25	3,032,508
Expenditures:				
Current:				
Wages and Benefits	2,111,188	26,088	-	2,137,276
Operating Expenses	642,471	7,058	-	649,529
Capital Outlay	23,939	-	-	23,939
Debt Payments:				
Principal	5,959	-	-	5,959
Interest	1,637	-	-	1,637
Total Expenditures	2,785,194	33,146	-	2,818,340

The notes to the financial statements are an integral part of this statement.

Excess (Deficiency) of Revenues Over Expenditures

General Fund	Work Prog. Special Rev Fund	Warrant Team Special Rev Fund	Total Governmental Funds
182,552	31,591	25	214,168

Other Expenditures:

Payment to DCU's	82,524	-	82,524
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Total Other Expenditures

82,524	-	-	82,524
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Other Financing Sources (Uses):

Transfer From Warrant Team	11,500	-	11,500
Transfer From Court Services	66,203	-	66,203
Transfer to Gen Fund	(66,203)	(11,500)	(77,703)

Total Other Financing Sources (Uses):

11,500	-	(11,500)	-
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Net Change in Fund Balances

111,528	31,591	(11,475)	131,644
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Fund Balances

Beginning of Year	377,110	21,781	11,475	410,366
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End of Year

\$ 488,638	\$ 53,372	-	\$ 542,010
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24th District Court
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances total governmental funds

Amounts reported for governmental activities in the statement of activities are different because:	131,644
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Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.

Depreciation expense	(92,896)
Capital outlay	23,939
Loss on disposal of assets	(2,832)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,959
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Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	102,919
Accrued compensated absences end of the year	(84,424)

Change in net assets of governmental activities	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 0 10px;">\$</td> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 0 10px;">84,309</td> </tr> </table>	\$	84,309
\$	84,309		

24th District Court
Statement of Fiduciary Net Assets
June 30, 2006

	Revenue Fund	Bond Fund	Court Services Revenue Fund	Payroll Fund	Total Agency Fund Activities
Assets:					
Cash	\$ 394,011	\$ 83,537	\$ -	\$ 3,141	\$ 480,689
Due from Other Funds	521	241	-	-	762
Accounts Receivable-Other	-	27	-	-	27
Total Assets	\$ 394,532	\$ 83,805	\$ -	\$ 3,141	\$ 481,478
Liabilities & Fund Equity:					
Liabilities:					
Appearance Bonds	\$ -	\$ 81,201	\$ -	\$ -	\$ 81,201
Refund Overpayment	-	353	-	-	353
Restitution Payable	-	1,341	-	-	1,341
Other Payable	270	105	-	-	375
Due to Other Funds	-	-	-	3,141	3,141
Due to:					
State Treasurer	98,863	-	-	-	98,863
Allen Park	188,645	395	-	-	189,040
Melvindale	94,323	410	-	-	94,733
Wayne County	12,431	-	-	-	12,431
Total Liabilities	\$ 394,532	\$ 83,805	\$ -	\$ 3,141	\$ 481,478

The notes to the financial statements are an integral part of this statement.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 24th District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the 24th District Court:

A. Reporting Entity

The 24th District Court was established in the State of Michigan. The State of Michigan is divided into judicial districts of the district Court each of which is an administrative unit subject to the superintending control of the Supreme Court. As required by generally accepted accounting principles (GASB Statement #14 and GASB Statement #39), the financial statements of the reporting entity includes those of the 24th District Court (the primary government) and no others. The 24th District Court has no component units. Therefore, this report does not include condensed financial statements as required when component units are apparent.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements of the 24th District Court report information on all of the nonfiduciary activities of the 24th District Court. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrate the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

timing of the related cash flows. Intergovernmental revenues are recognized as revenue in the year for which they are incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The 24th District Court reports the following major governmental funds:

The *Operating Fund (General Fund)* is the Court's primary operating fund. It accounts for all financial resources of the court, except those required to be accounted for in another fund.

The *Work Program Fund* accounts for all revenues and expenditures related to convicts who are assigned to the work program.

The *Warrant Team Fund* accounts for all revenues and expenditures related to defendants who are brought in by the outstanding warrant team. As of June 30, 2006, this fund has been closed and all operations are now processed in the General Fund.

Additionally, the 24th District Court reports the following fund types:

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported in general revenue includes fees collected from the district court units, or intergovernmental units, and fees for miscellaneous services.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Court's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Court reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the courts intend to hold the investment until maturity.

State statutes authorize the Court to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Court is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds). Any

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

residual balances between the governmental activities are reported in the government-wide financial statements as "internal balances."

3. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid expenses are reported in government-wide and fund financial statements.

4. Capital Assets

Capital assets, include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Court as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Computers	5 years
Furniture and Equipment	5 to 10 years
Leasehold Improvements	10 years
Vehicles	5 years

5. Compensated Absences (Vacation and Sick Leave)

Court employees are entitled to a certain number of vacation days based on their length of employment. Vacation time must be used in the current year and does not carry over to subsequent years. Court employees are entitled to 13 days of sick time per year. When employees separate from service with the Court, accumulated sick time is paid at 100% for the first 75 days of accumulated sick time and at 50% for any accumulated sick time over 75 days. In the government-wide financial statements, compensated absences are reported as liabilities in the applicable governmental activities statement of net assets. No expenditure is reported for those amounts.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

7. Net Assets and Fund Balance

Government-wide Financial Statements

When the Court incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

Government Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The General Fund reserve for restricted purposes is comprised of an amount that is solely attributable to a prepaid expense.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds, however a formal budget is not adopted.

The Court presents a budget to the two District Control Units, for their approval and ratification before the fiscal year begins on July 1.

As of October 1, 1996: (MCLA 600.8271) the governing body of each district funding unit shall annually appropriate, by line-item or lump-sum budget, funds for the operation of the district court.

A court that operates under a line-item budget shall not exceed a line-item appropriation or transfer funds between line items without the prior approval of the governing body. A court that operates

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

under a lump-sum budget shall not exceed that budget without prior approval of the governing body. The Court uses a lump-sum budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase offers, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits:

	<u>Fair / Value</u>
Demand Deposits	\$ 996,899
Total Deposits	<u>\$ 996,899</u>

Reconciliation To Statement of Net Assets:

Current:

Cash and Cash Equivalents	<u>\$ 996,899</u>
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Interest Rate Risk

In accordance with it's investment policy, the court will minimize interest rate risk, which is the risk that the market value of the demand deposits or sweep account will fall due to changes in market interest rates, by structuring the sweep account so when cash is needed for operations, the sweep account will transfer cash immediately as needed. These funds are not sold in the open market. The sweep account consists of money market funds.

Concentration of Credit Risk

The court minimizes credit risk by investing only in money market funds that are available for operations at any time.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

Custodial Credit Risk

The 24th District Court has \$996,899 on deposit with Comerica Bank. Of the amount on deposit, \$100,000 was covered by federal depository insurance. As of June 30, 2006, \$896,899 of the Court's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a bank failure, the Court's deposits might not be recovered. All deposits were in the State of Michigan.

Foreign Currency Risk

The court is not authorized to invest in investments, which have this type of risk.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the Court for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Computer Equipment	\$ 265,955	\$ 3,657	\$ 94,000	\$ 175,612
Furniture & Equipment	227,423	14,702		242,125
Leasehold Improvement	279,278	5,580	-	284,858
Leasehold Improvement New Building	218,534	-	-	218,534
Vehicles	51,334	-	-	51,334
Subtotal	1,042,524	23,939	94,000	972,463
Less Accumulated Depreciation for				
Computer Equipment	222,885	18,412	91,168	150,129
Furniture & Equipment	114,075	24,834	-	138,909
Leasehold Improvement	167,141	27,797	-	194,938
Leasehold Improvement New Building	71,679	21,853	-	93,532
Vehicles	51,334	-	-	51,334
Subtotal	627,114	92,896	91,168	628,842
Capital Assets--Net of Depreciation	\$ 415,410	(\$69,957)	\$ 2,832	\$ 343,621

Depreciation for fiscal year ended June 30, 2006 amounted to \$92,896. The entire depreciation expense was allocated to the operations of the Court.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 5. SUMMARY OF INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amount of interfund receivables and payables at June 30, 2006 are as follows:

Governmental Funds and Agency Funds					
	Work Program	Revenue Fund	Payroll Fund	Bond Fund	Total Interfund Receivable
General	\$ 1,053	-	\$ 3,141	-	\$ 4,194
Bond Fund	-	-	-	241	241
Payroll Fund	-	-	-	-	-
Revenue	-	521	-	-	521
Work Program	-	-	-	-	-
Total Interfund Payable	\$ 1,053	\$ 521	\$ 3,141	\$ 241	\$ 4,956

The amount of advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Warrant Team	\$11,500
General	Court Services	\$66,203
		<u>\$77,703</u>

NOTE 6. LEASES

A. Operating Lease.

The 24th District Court subleases building and office facilities from the City of Allen Park who in turn has a lease with the Allen Park Building Authority for a term of 22 years extending from November 16, 1993. This is the term of the underlying bonds sold to construct the Court facility.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

The lease agreement cannot exceed 50 years. Total cost of the sublease was \$190,000 for the year ended June 30, 2006. The future minimum lease payments for this sublease is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 190,000
2008	190,000
2009	190,000
2010	190,000
2011	190,000
2012 – 2015	760,000
Total	<u>\$ 1,710,000</u>

B. Capital Lease

The 24th District Court's outstanding lease agreement was from the acquisition of a copy machine at the cost of \$9,366. The lease qualifies as a capital lease, for which the lessor, Kansas State Bank, has a security interest in the acquired equipment.

Government Activities		
<u>Capital Lease*</u>		
Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	1,952	460
2008	2,166	246
2009	<u>1,170</u>	<u>36</u>
	<u>\$ 5,288</u>	<u>\$ 742</u>
Interest Rate	10.43%	
Cost of Assets	\$ 9,366	
Accumulated Depreciation	\$ 2,420	

*For the Capital Lease, the total of principal and interest equals the required minimum payments for periods shown, and total principal equals the net present value of the lease.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

The 24th District Court's additional lease agreement was from the acquisition of a postage machine. This lease also qualifies as a capital lease, for which the leaser, Pitney Bower Credit Corporation, has a security interest in the acquired equipment.

Capital Lease

Year Ending June 30	Principal	Interest
2007	4,420	764
2008	4,652	533
2009	4,895	289
2010	2,544	48
	<u>\$ 16,511</u>	<u>\$ 1,634</u>

Interest Rate 5.137%
Cost of Assets \$ 22,731
Accumulated Depreciation \$ 7,198

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term obligations of the Court for the year ended June 30, 2006:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
Capitalized Lease-Copier	\$ 7,048	\$ -	\$ 1,760	\$ 5,288	\$1,952
Capitalized Lease-Post. Mach	20,710	-	4,199	16,511	4,420
Other Liabilities:					
Compensated Absences	<u>102,919</u>	<u>16,985</u>	<u>35,480</u>	<u>84,424</u>	<u>29,100</u>
Governmental activities					
Long-term Liabilities	<u>\$ 130,677</u>	<u>\$ 16,985</u>	<u>\$ 41,439</u>	<u>\$ 106,223</u>	<u>\$35,472</u>

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 8. FUNDING OF DISTRICT CONTROL UNITS

The Court on an annual basis and prior to the beginning of the fiscal year presents a budget to the District Control Units. Upon their ratification they will pay to the Court on a monthly basis 1/12th of the cost of the annual budget as follows:

2/3 submitted by City of Allen Park
1/3 submitted by City of Melvindale

All revenues received by the Court through fines, fees and judgments are returned to them monthly as follows:

2/3 City of Allen Park
1/3 City of Melvindale

NOTE 9. EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

Plan Description - The Court contributes to the City of Allen Park Employees Retirement System, a multi-employer defined benefit pension plan administered by their board of trustees. The plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy - The contribution requirements of plan members and the Court are established and may be amended by the board of trustees. Plan members are required to contribute 6% of their annual covered salary. The Court is required to contribute at an actuarially determined rate; the current rate is 25.77% of covered payroll, up from 21.00% for the fiscal year ended June 30, 2006. The Court contributions for the years ended June 30, 2006, 2005 and 2004 were \$207,579, \$200,701, and \$148,913.

The Court is not responsible for the payment of retirement benefits which is the responsibility of the City of Allen Park.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 10. RISK MANAGEMENT

The Court is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Court continues to carry commercial insurance for other risks of loss, including employee health, accident and worker's compensation insurance.

In reference to unemployment insurance, the Court reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the Court.

REQUIRED SUPPLEMENTARY INFORMATION

**Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual-General Fund
For the Fiscal Year Ended June 30, 2006**

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Fav. (Unfavorable)</u>
Revenues			
Court - Participating City:			
Allen Park	\$ 1,779,213	\$ 1,779,300	87
Melvindale	889,606	889,606	-
Court - Other Revenue:			
Miscellaneous - Other	40,000	35,138	(4,862)
Interest Income	10,000	14,949	4,949
Program Fees-A Team	-	21,324	21,324
Probation	210,000	218,428	8,428
Insurance Reimbursement	-	9,001	9,001
Total Revenues	<u>2,928,819</u>	<u>2,967,746</u>	<u>38,927</u>
Court Expenditures			
Salaries	1,464,700	1,272,243	192,457
Overtime	5,000	3,857	1,143
Longevity	7,960	7,384	576
Social Security	113,900	97,904	15,996
Hospitalization	568,975	454,660	114,315
Insurances:			-
Life	9,050	6,380	2,670
Optical	4,750	3,679	1,071
Dental	45,725	40,503	5,222
Retirement	209,000	207,579	1,421
Workmen's Comp.	14,595	11,931	2,664
Unemployment compensation	5,068	5,068	-
Office Supplies	29,000	38,399	(9,399)
Postage	20,000	19,999	1
Uniform	1,500	561	939
Auditor	17,000	15,022	1,978
Computer Services	30,000	28,342	1,658
Administrative	3,000	2,963	37
Contract Labor	34,000	28,404	5,596
Legal Fees	45,000	65,419	(20,419)
Witness/Jury Fees	10,000	7,239	2,761
Service Charges	17,000	10,808	6,192
Travel/Training	4,000	3,106	894
Printing & Publishing	15,000	19,890	(4,890)
Insurance, Liability	39,000	40,623	(1,623)
Equipment Maintenance	35,000	30,540	4,460
Building Maintenance	43,000	44,414	(1,414)
Building Rental	190,000	190,000	-
Membership & Dues	14,000	13,194	806
Building Utilities	45,000	46,642	(1,642)
Compensated Absences	10,000	36,906	(26,906)
Capital Outlay:			
Leasehold Improvements	1,000	5,580	(4,580)
Office Equipment	3,000	14,702	(11,702)

**Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual-General Fund
For the Fiscal Year Ended June 30, 2006**

	Original & Final Budget	Actual	Variance Fav. (Unfavorable)
Computer Equipment	5,000	3,657	1,343
Debt Principal	6,943	5,959	984
Debt Interest	653	1,637	(984)
Contingency	-	-	-
Total Expenditures	<u>3,066,819</u>	<u>2,785,194</u>	<u>281,625</u>
Excess of Revenue Over (Under) Expenditures before Other Expenditures	<u>(138,000)</u>	<u>182,552</u>	<u>320,552</u>
Other Expenditures:			
Payment to DCU's	-	(82,524)	(82,524)
Total Other Expenditures	<u>-</u>	<u>(82,524)</u>	<u>(82,524)</u>
Other Financing Sources (Uses)			
Court Services Transfer	35,000	66,203	31,203
Transfer to General Fund	-	(66,203)	(66,203)
Warrant Team Transfer	8,000	11,500	3,500
Transfer from Work Program	15,000	-	(15,000)
Transfer from Warrant Team	15,000	-	(15,000)
Total Other Financing Sources (Uses)	<u>73,000</u>	<u>11,500</u>	<u>(61,500)</u>
Excess of Revenue and Other Sources Over (Under) Expend., Other Expend. and Other Uses	<u>(65,000)</u>	<u>111,528</u>	<u>176,528</u>
Fund Balance, Beginning	377,110	377,110	-
Fund Balance, Ending	<u>\$ 312,110</u>	<u>\$ 488,638</u>	<u>\$ 176,528</u>

24th District Court
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances-
Budget and Actual-Work Program Fund
For the Fiscal Year Ended June 30, 2006

	Work Program Fund		
	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Program Fees	\$ 55,800	\$ 64,522	\$ 8,722
Interest Income	200	215	15
Miscellaneous Revenue	8,000	-	(8,000)
Total Revenues	<u>64,000</u>	<u>64,737</u>	<u>737</u>
Expenditures			
Wages & Social Security	34,500	26,088	8,412
Operating Supplies	8,800	7,058	1,742
Equipment Maintenance	1,500	-	1,500
Miscellaneous	500	-	500
Auditor	700	-	700
Budget Allocation to Operating Fund	15,000	-	15,000
Training	500	-	500
Volunteer Liability Insurance	2,000	-	2,000
Uniforms	500	-	500
Total Expenditures	<u>64,000</u>	<u>33,146</u>	<u>30,854</u>
Excess of Revenues over Expenditures	-	31,591	31,591
 Fund Balance July 1, 2005	 21,781	 21,781	 -
Fund Balance June 30, 2006	<u>\$ 21,781</u>	<u>\$ 53,372</u>	<u>\$ 31,591</u>

**24th District Court
Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual-Warrant Team Special Revenue
For the Fiscal Year Ended June 30, 2006**

	Warrant Team Special Revenue		
	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Interest Income	\$ -	\$ 25	\$ 25
Program Fees			-
Total Revenues	-	25	25
Expenditures			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	25	25
Other Financing Sources (Uses)			
Transfer to General Fund		(11,500)	(11,500)
Total Other Financing Sources (Uses)	-	(11,500)	(11,500)
Net Changes in Fund Balances	-	(11,475)	(11,475)
Fund Balance July 1, 2005	-	11,475	11,475
Fund Balance June 30, 2006	\$ -	\$ -	\$ -